



IPO Report

02nd July '24

Snapshot

Company along with its Subsidiary, Bansal Steel & Power Limited, offers over 3000 SKUs (i.e., stock keeping units) in three broad segments, i.e., high carbon steel wire, mild steel wire (low carbon steel wire) and stainless steel wire, with company's Company's offering of approximately 2000 SKUs and its Subsidiary's offering of 1500 SKUs. Further, there are approximately 500 SKUs which are common in both company and subsidiary. High carbon steel wires refer to wires made from high carbon steel with 0.30% to 1.00% carbon and are known for their exceptional strength, hardness, and durability.

VALUATION

Company is bringing the issue at price band of Rs 243-256 per share at p/e multiple of 53x on post issue FY24 PAT basis. Company is a steel wire manufacturers with revenue of ₹ 24,447.19 million in Fiscal 2024 with established market position and strong brand equity. Company has More than 5,000 customer base with presence across various sectors. Company has economies of scale with product portfolio with over 3,000 stock keeping units across the steel wire industry with good mix of high volume and better margin products. Company's business model with stable and consistent margin profile and promoters and management with industry expertise of over 38 years looking decent. Hence, looking after all above we recommend "Subscribe" on issue.

Price Band (Rs./Share)	243-256
Opening date of the issue	03rd July '2024
Closing Date of the issue	05th July '2024
No of shares pre issue	12,74,54,390 Eq Shares
Issue Size	Rs 745 Cr
No of shares	3,06,58,437-2,91,01,563 Shares
Fresh issue	Rs 745 Cr
Face Value (Rs/ share)	Rs 10/share
Bid Lot	58

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 145,50,781 Eq Shares)
Non-Institutional	15% of the offer (Approx 43,65,235 Eq Shares)
Retail	35% of the offer (Approx 101,85,547 Eq Shares)
Lead managers	SBI Capital Markets, DAM Capital Advisors
Registrar to the issue	KFin Technologies Ltd

WHAT WE LIKE

Steel wire manufacturers with revenue of ₹ 24,447.19 million in Fiscal 2024 with established market position and strong brand equity

Company is the stainless steel wire and steel wire manufacturing company in India, representing 20% and approximately 4% market share as of March 31, 2023, respectively, with revenue of ₹ 24,447.19 million in Fiscal 2024. Demand is expected to log 8-10% CAGR between Fiscals 2023 and 2028, growing to 8-9 MT, due to increasing budget allocation of central and state governments for infrastructure development and expansion of the automobile industry

More than 5,000 customer base with presence across various sectors

Company have a customer base exceeding 5,000 customers, spreading across various industrial sectors. Except Bansal High Carbons Private Limited, one of its Group Companies, which contributed 7.30% and S. S. Pranav Steels Private Limited, one of company's distributor/dealer companies, which contributed 6.05% of the total sales of Company for Fiscal 2024, none of its customer contributed to more than 5.00% of its sales and no individual sector or segment constituted more than 25.00% of its sales in Fiscal 2024, Fiscal 2023 and Fiscal 2022, which is a testament to its diverse portfolio.

Product Portfolio with over 3,000 stock keeping units across the steel wire industry with good mix of high volume and better margin products

Company along with its subsidiary, Bansal Steel & Power Limited, offer one of India's most extensive steel wire product portfolios, encompassing over 3000 stock keeping units ("SKUs"), categorized majorly into three segments, i.e., high carbon steel wire, mild steel wire (low carbon steel wire) and stainless steel wire, with Company's offering of approximately 2000 SKUs and its Subsidiary's offering of 1500 SKUs. enable it to combine operations and eliminate multiple operators in the production process in order to increase productivity, while controlling costs and maintaining consistent product quality



COMPANY BACKGROUND

They are used in applications where these properties are crucial, such as in the manufacturing of springs, cutting tools, and various industrial components that require resilience and resistance to wear and fatigue. Mild Steel Wire is made out of a low-carbon steel with a carbon content ranging from 0.05% to 0.25% and is known for its ductility, malleability, weldability, and versatile nature. They are commonly used in power & transmission, agriculture, poultry, fencing, and construction. Stainless steel wire is made from a corrosion-resistant alloy which is a combination of iron, chromium, nickel, and other elements and is used in consumer durables, hardware, automotive, agriculture and other general engineering products. Company operate from its four established manufacturing facilities in the National Capital Region, India, with three manufacturing facilities in Ghaziabad (U.P.) and one manufacturing facility in Bahadurgarh (Haryana). While company have built its network in order to ensure pan India presence across all regions of India, i.e., company is present in 22 states and six union territories, by way of its dealer distribution network, company have robust revenue from operations in northern states and western states in India with 65.61%, 67.78% and 64.80% of revenue from operations generated from Delhi, Haryana, Maharashtra and Uttar Pradesh in Fiscal 2022, 2023 and 2024, respectively.

In terms of the operational benchmarking, steel wires industry is a highly fragmented industry with top 10 manufacturers contributing to around 22% of the overall production and company contributes 2% of the overall production and other unbranded larger and medium and small manufacturers contributing 75% of the overall production.

Company operate in three broad segments, i.e., high carbon steel wire, mild steel wire (low carbon steel wire) and stainless steel wire and will be also adding new segment of specialty wires through its manufacturing plant in Dadri, which will help company to grow and expand its market presence in upcoming fiscals. The extensive range of company's products include sizes as thin as 0.04 mm to as thick as 15.65 mm like high carbon steel wires for springs, wire for ropes, mild steel wires (low carbon steel wires), stainless steel wires, cold heading quality wires, cable armoring wires and strips, galvanized steel wires in high/ mild steel wire (low carbon steel wire) in wide range of, zinc coating, profile/ shaped wires in various steel grades in different cross sections etc.

Company source raw materials from a diversified base of suppliers. Its top 10 key raw material suppliers for mild steel wires (low carbon steel wires) and stainless-steel wires include Steel Authority of India Limited, Rashtriya Ispat Nigam Limited, Mukand Ltd., Rathi Steel and Power Limited and JSW Steel Limited. Company sources raw materials from a diversified base of suppliers which not only offers competitive prices but also the quality and quantity assurance. Pursuant to a share purchase agreement dated November 14, 2023, Company has acquired 2,093,637 equity shares, i.e., 26% of the shareholding of Bansal Steel & Power Limited ("BSPL"). Further, pursuant to the right issuance of equity shares by BSPL, Company was allotted 18,842,733 equity shares, as a result, BSPL has become a Subsidiary of Company with effect from December 7, 2023. Company, as on the date of this DRHP, holds 20,936,370 equity shares, i.e., 76.15% of the shareholding of BSPL. Company market and sell its products under the brand name 'BANSAL' which has a strong reputation in the market as a trusted brand since incorporation. Company undertakes various initiatives to promote its brands and products, which have not only helped maintain a sales momentum but have also resulted in an impressive customer retention ratio of above 64% as of Fiscal 2024, Fiscal 2023 and Fiscal 2022.



INVESTMENT RATIONALE

<p><i>Economies of Scale</i></p>	<p>Over the last 38 years, Company has established a well-integrated ecosystem for manufacturing the products, storage and transportation of raw materials and finished goods, which is as follows.</p> <ul style="list-style-type: none"> • Manufacturing Facilities: Company have an installed capacity of 259,000 MTPA of mild steel, high carbon and stainless steel wires at its existing four manufacturing facilities located in National Capital Region, India which includes the manufacturing facility of BSPL, its subsidiary, located at Bahadurgarh, Haryana. All the existing manufacturing facilities are operating at its optimum capacity utilization. Additionally, company’s Dadri Facility has started its initial production towards end of January 2024, and as of March 31, 2024 is operating at a capacity of 3,000 metric tonnes of high carbon wires with 78.50% of the capacity utilisation. Company for expansion and cost effectiveness has also entered into industrial lease agreements dated January 8, 2024, with two of its Group Companies, Bansal High Carbons Private Limited and Balaji Wires Private Limited, respectively, to use the premises and equipment installed in their manufacturing facilities.
<p><i>Business model with stable and consistent margin profile</i></p>	<p>Company’s products are offered at various price points and the pricing risk is suitably mitigated as majority of its sales are directly to customers. Company’s sales and marketing team takes into consideration various factors such as landing costs, discounts, and applicable taxes to arrive at the list price of its offerings. To counter the volatility in the cost of company’s raw materials, company adjust and revise the prices for its products on a monthly basis. Furthermore, when the fluctuation in the price of raw materials go beyond a certain level during the period concerned, the list prices of products are revised as and when required. Most of the production that company entail is carried by it after the receipt of the order at a pre-agreed price and hence, as a result company is able to maintain the margins and work on a cost plus model and are largely immune to commodity price fluctuations, which has helped in maintaining EBITDA margins between 4.73% to 6.04% consistently over last three Fiscals. Additionally, company source raw materials from a diversified base of suppliers. Its top 10 key raw material suppliers for mild steel wires and stainless-steel wires include Steel Authority of India Limited, Rashtriya Ispat Nigam Limited, Mukand Ltd., Rathi Steel and Power Limited and JSW Steel Limited.</p>
<p><i>Promoters and management with industry expertise of over 38 year</i></p>	<p>Company’s leadership team comprises of seasoned whole-time directors, key managerial personnel and senior management with extensive experience in the steel wire industry. They play a pivotal role in formulating business strategies, driving innovation, integrating systems, processes and technologies, diversification and expansion of business, and commitment to customer-focused approach. With the support of a qualified pool of employees including its quality assurance team, company have collectively demonstrated an ability to manage and grow company’s operations.</p>



OBJECTS OF OFFER

The Issue comprises of a fresh issue of up to [●] Equity Shares aggregating up to ₹ 7,450 million. The proceeds of the Issue, after deducting the Issue related expenses, are estimated to be ₹ [●] million (“Net Proceeds”).

Company proposes to utilise the Net Proceeds from the Issue towards the following objects:

1. Repayment or prepayment of all or a portion of certain outstanding borrowings availed by Company;
2. Investment in Subsidiary for repayment or prepayment of all or a portion of certain of its outstanding borrowings;
3. Funding the working capital requirements of Company; and
4. General corporate purposes.

RISKS

Company rely substantially on its top 10 suppliers of the raw materials and work-in-progress goods used in its manufacturing processes. Any shortages, delay or disruption in the supply of the raw materials company use in its manufacturing process may have a material adverse effect on its business, financial condition, results of operations and cash flows.

Source:RHP

INDUSTRY OVERVIEW

Steel wires industry structure

The industry is segmented into large / integrated, medium and small steel wire manufacturers. • Large players: There are around 60+ large companies active in wire industry with 4integrated wire manufacturers. Tata Wires, Viraj, Rimjhim and Synergy have their own steel and rod mill. Key characteristics: – Manufacturing set-up typically includes double-block, multistage drawing machines, good quality heat treatment (annealing, patenting) facilities. – Wider product portfolio typically across HC and value-added MS wires (galvanized) – Presence of specific players across H.C. wire and G.I wire segment. • MSME players: Around 100+ wire drawers primarily located near wire rod source with majority of them undertake trading. These companies keep switching between trading and manufacturing depending on market situation. Key characteristics: – Typically have local made drawing machines and low-end annealing furnaces. – Majorly focused on M.S. Wires, H.B., Binding wires – Some of them also make wire products such as nails, J-hooks, etc. • Captive drawing units: Companies from other industry having in-house wire manufacturing where wire cost contribution is high and requirement is in high volume. Typically, companies making wire rope, fasteners, bearing balls, rollers have their in-house drawing (Usha Martin, Bharat wire rope, SKF Bearing, Timken bearing, NRB Bearing). Welding electrode manufacturers also have in-house wire making set-up. Steel wires industry structure.

Unlike wire rods market, wire manufacturing is a highly fragmented market with over 100 players operating in the industry with top 10 manufacturers continuing to around 22% of the market with Tata Wires and Bansal Group catering to ~13% of the demand. Other than Tata wires and Bansal Group, the other key wire manufacturers have a market share in the range of 1-3%. Indian steel wire industry has been gradually moving from a largely unbranded play towards branded play including regional and national players because of rising awareness among consumers towards safety and quality, the advent of the GST regime, increasing technological and product complexities, as well as growing marketing and branding activities by branded players. The large steel wire manufacturers also have advantages with respect to raw material procurement, greater market presence on back of larger channel network and wider product range.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	21983.58	24130.08	24660.31
Total Expenditure (B)	20919.283	23078.63	23215.76
EBIDTA	1064.30	1051.45	1444.55
EBIDTA Margin	4.84	4.36	5.86
Other Income	67.14	95.60	48.55
Depreciation	84.37	91.14	134.52
EBIT	1047.07	1055.91	1358.58
Interest	265.77	240.41	288.07
PBT	781.30	815.50	1070.51
Share of profit in Asso	0.00	0.00	0.00
PBIT	781.30	815.50	1070.51
Exceptional	0.00	0.00	0.00
PBT	781.30	815.50	1070.51
Tax	208.45	216.20	314.14
PAT	572.85	599.30	756.37
NPM	2.61	2.48	3.07
ROE%	25.69	21.21	18.27
EPS	4.58	4.70	6.18
Eq Cap	91.04	91.04	637.27
Net Worth	2,230.12	2,825.14	4,611.40

(Source: RHP)

Peer Comparison

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
Bansal Wire Industries Limited		24708.86	6.18	33.14	18.46
Peers					
Rajratan Global Wire Limited	35.88	8986.80	14.15	97.03	15.41
DP Wires Limited	19.29	12213.1	23.43	145.93	17.39
Bedmutha Industries Limited	38.65	7481.47	6.28	37.23	19.04

(Source: RHP)



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